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Stone Fruit

Annual

2005

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Report Highlights:

Australian peach, nectarine and plum production is forecast to increase by five percent in CY 2006, while cherry production is forecast to rise sharply following the depressed 2005 harvest. The production forecasts assume normal weather conditions and account for expanding area and increased productivity. Exports of peaches, nectarines and plums are forecast to increase by five percent in CY 2006, while cherry exports are forecast to rise by about 25 percent, reflecting the forecast production increases. Imports are minimal, except for cherries, reflecting Australia's stringent quarantine regime.

Includes PSD Changes: Yes
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SECTION ONE: SITUATION AND OUTLOOK

General

The Australian stone fruit industry primarily consists of peaches, nectarines, plums, cherries, and apricots. On a tonnage basis, most of Australia's stone fruit is grown in Victoria, although significant quantities are also grown in New South Wales and South Australia. Relatively small quantities of fruit are also grown in Queensland, Western Australia and Tasmania.

Traditionally, stone fruit was mostly grown in relatively small orchards located in areas adjacent to the heavily populated coastal cities. However, evidence suggests that high land values and urban encroachment has caused many of these growers to either exit the industry or relocate inland to larger holdings where land and available water are more abundant. Industry sources indicate the number of stone fruit growers continues to fall, while total area and productive capacity is rising fairly steadily. Productivity is being driven by rising production per hectare, mostly due to the adoption of technology and the increased densities characteristic of newer plantings.

Stone fruit production remains highly susceptible to climatic conditions, and as a result production can vary widely from season to season. Forecasts relating to Australia's stone fruit production are not readily available from official or industry sources and, thus, Post has made broad assumptions in arriving at PS&D forecasts. Post's production forecasts also assume "normal weather conditions" for the remainder of CY 2005 and CY 2006.

This report covers peaches, nectarines, plums and cherries, but does not include apricots. Peaches and nectarines are combined as one commodity. Quantities referred to in this report refer only to stone fruit grown for fresh consumption, and do not include fruit for processing or consumption as dried fruit.

An attempt was made to ensure that the estimates and forecasts used in this report are in line (trend) with more historical figures used by the Australian Government and reflect more current figures generally recognized by the domestic industry. No official government figures are available for the three years in the accompanying PS&D tables, except for trade data for CY 2004.

Values of the Australian dollar versus the U.S. dollar are: \$0.512 (2001), \$0.559 (2002), \$0.652 (2003), \$0.740 (2004) and \$0.790 (March 2005).

Peaches

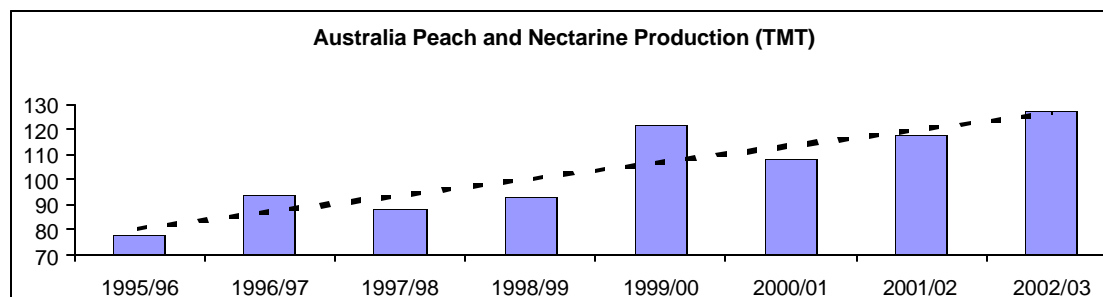
Production

Peach and nectarine production in CY 2006 is projected at a record 140,000 MT, assuming normal weather conditions during the upcoming growing season. This figure represents an increase of five percent from the forecast for the previous year and an underlying rise in tree numbers, greater productivity and other factors such as lower loss before, during and after harvest.

Production in CY 2005 is forecast at 133,000 MT, 16 percent higher than the estimate for the previous year. The 2005 harvest, which is currently underway, is promising a greatly improved yield due to better seasonal conditions. Continual improvements in productivity and greater area also underpin the production increase.

Production in CY 2004 is estimated at 115,000 MT, in line with industry figures. This estimated production level is below the previous year mostly due to the negative impacts of a widespread drought.

Historical data provided by the Australian Bureau of Statistics (ABS) indicates an increase in the production of peaches and nectarines since 1996. Increased planted area, combined with higher levels of productivity, is believed responsible for this rising production trend.



Source: ABS data (2002/03 corresponds with CY 2003).

Exports

Exports of peaches and nectarines in CY 2006 are forecast at 5,672 MT, up five percent from a year earlier, reflecting the larger 2006 crop. Exports in CY 2005 are forecast at 5,402 MT, up 16 percent from the previous year and in line with increase in production. Exports for CY 2004 are estimated at 4,673 MT, in line with the ABS figures.

Australia exports only a relatively small quantity of higher quality fruit, with the majority of production being consumed domestically, either as fresh or processed. Australia's three largest export markets for peaches and nectarines are Taiwan, Hong Kong and Singapore, which together account for over 80 percent of total exports.

Imports

Australia's stringent quarantine regime severely limits imports of fresh peaches and nectarines. As such, no imports are indicated during the forecast period. Historical ABS data does indicate minimal imports from New Zealand -- 11 MT in CY 2002, and 1 MT in CY 2003.

Domestic Consumption

The vast majority of Australia's peach and nectarine crop is consumed domestically, either as fresh fruit or processed. Fresh domestic consumption is forecast at 67,328 MT in CY 2006, up from the 64,598 MT forecast for CY 2005. Increased production and improved production and handling techniques have contributed to the rise in domestic fresh fruit consumption.

Peaches and nectarines produced for processing is projected at 67,000 MT in CY 2006, up from the forecast of 64,000 MT in CY 2005. Of this, the vast majority is canning peaches, which accounted for 58,000 MT in CY 2005, or more than 90 percent of processed consumption. (See Canned Deciduous Fruit Annual Report, GAIN #AS4033).

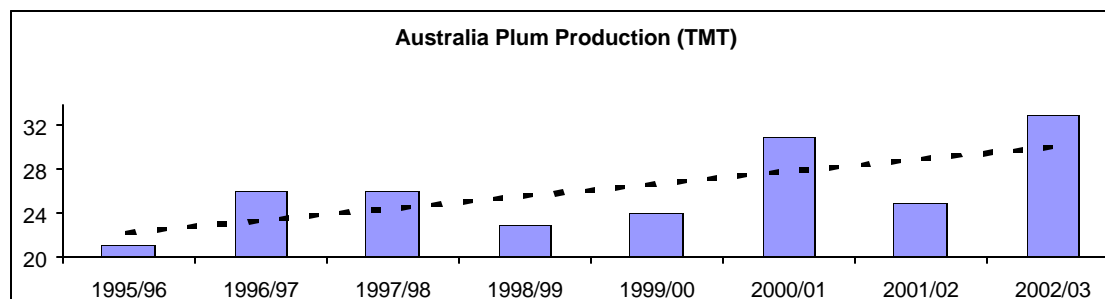
Plums

Production

Australian plum (including fresh prunes) production for CY 2006 is forecast at 37,000 MT, up five percent from the previous year. This increase assumes normal weather conditions and is driven by rising area and improvements in productivity, such as yield and post harvest handling.

Plum production in CY 2005 is forecast at 35,000 MT, up nearly 17 percent from the previous year's drought impacted harvest. The increase is primarily attributed to a return to more seasonal conditions and significant improvements in irrigation water supplies.

Production in CY 2004 is estimated at 30,000 MT, in line with industry estimates.



Source: ABS data (2002/03 corresponds with CY 2003).

Exports

Plum exports in CY 2006 are forecast at 6,240 MT, up about five percent from the previous year. This increase is in line with the forecast increase in production and assumes normal weather conditions during the growing season.

Plum exports in CY 2005 are projected at 5,900 MT, up nearly 17 percent from the previous year. This is a relatively high export level, reflecting improved weather conditions and a likely increase in plums suitable for export.

Plum exports for CY 2004 are estimated at 5,158 MT, in line with official ABS statistics. Asian markets of Hong Kong, Singapore, Taiwan and Malaysia accounted for over 80 percent of Australian plum exports.

Imports

Australia has strict quarantine requirements, which currently preclude any significant imports of plums. As such, official ABS statistics indicate no imports.

Domestic Consumption

Domestic consumption of fresh plums is forecast at 25,760 MT in CY 2006. In CY 2005, fresh plum consumption is forecast at 24,100 MT, up sharply on the previous year. A return to more normal weather conditions greatly increased the supply of fresh plums to the domestic market following a severe drought.

Official up-to-date consumption figures for plums are unavailable. Consumption figures used by Post are largely derived from production and net export data.

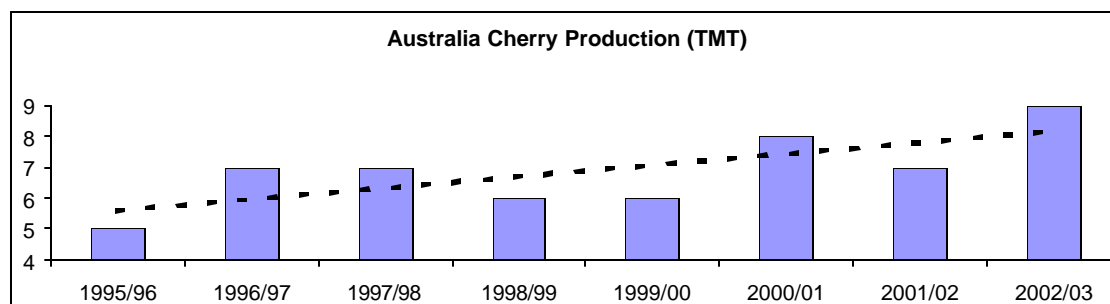
Cherries

Production

Production of cherries in CY 2006 is forecast at a record 9,000 MT, up sharply from the previous year and roughly in line with the production levels achieved prior to the drought in 2003. A return to normal weather conditions together with increases in planted area and productivity per tree are expected to be driving this increase.

Production of cherries in CY 2005 is forecast at 6,000 MT, down significantly from the previous year. According to industry sources, the forecast drop in production is due to poorly timed rainfall in the lead-up to harvest in the state of Tasmania, where a large proportion of the crop is grown.

Production for CY 2004 is estimated at 7,000 MT, in line with industry figures.



Source: ABS data (2002/03 corresponds with CY 2003).

Exports

Exports of cherries in CY 2006 are forecast at 1,494 MT. A return to more normal weather conditions and an expected increase in production is expected to see exports rise.

Exports of cherries in CY 2005 are forecast at 1,200 MT, due to poorly timed rainfall in the lead-up to harvest which industry sources indicate is likely to lower both production and average quality. Exports in CY 2004 are estimated at 1,422 MT, in line with available ABS statistics. Hong Kong, Taiwan and Singapore account for about three-quarters of Australian cherry exports.

Imports

Imports of cherries for CY 2006 are projected at 1,672 MT, up slightly from the previous year and in line with the longer-term growth trend. Imports in CY 2005 are forecast at 1,631 MT, up 2.5 percent from the 1,422 MT of imports reported by the ABS for the previous year.

The U.S. accounts for nearly all of Australia's cherry imports.

Domestic Consumption

Post forecasts domestic fresh cherry consumption to reach 9,178 MT in CY 2006, up from the 6,431 MT consumed in the previous year. A sharp increase in domestic production and a steady increase in imports are expected to fuel the rise in consumption.

Official up-to-date consumption figures are unavailable. Consumption figures reported by Post are derived from production and trade figures.

Policy

Marketing

Horticulture Australia Limited (HAL) is responsible for the promotion and marketing of Australian stone fruit. HAL is owned by members, comprising 28 horticultural industries (including peaches, nectarines, plums and cherries), and is funded through a statutory levy system. Stone fruit growers pay a statutory levy A\$0.01 per kilogram, collected at the first point of sale. For levies used for research and development, the Commonwealth government provides matching funds on a one-to-one basis.

Stone fruit is promoted under the "Australia Fresh" program, which has been developed by HAL to create an easily recognized brand for a broad cross section of Australian fresh fruit and vegetables in key export markets. The aim of the program is to create a preference for Australian fresh produce at both trade and consumer levels. Australia Fresh offers a complete package of promotions, branding and communications, and aims to create a competitive advantage for Australian produce, getting it on the shelf and keeping shelf space for the optimum time period. Australia Fresh is utilized by exporters in association with their trading brands, promoting a range of products including stone fruit, apples, pears, citrus, table grapes and vegetables and has been adopted by several industries to generically promote their products.

The U.S. cherry industry conducts marketing campaigns in Australia for their product, the only stone fruit from the United States currently allowed entry. Because of the counter-seasonality of U.S. and Australian cherry seasons, U.S. fruit is being sold (and promoted) at a time when Australian-grown product is unavailable. U.S. cherries have enjoyed considerable success, aided by effective promotion, trade servicing and the extended time periods the fruit is in the market.

Quarantine Issues

Australia currently bans the importation of most fresh stone fruit (with the notable exception of cherries) from the United States due to concerns about pests of quarantine concern. As a precondition for gaining access for U.S. product, Australia will need to conduct an Import Risk Analysis. The overall steps and procedures used by Australia to conduct an IRA are outlined in their Import Risk Analysis Handbook 2003.

Gaining access to Australia for U.S. stone fruit is a priority for the United States. The Government of Australia has been advised of U.S. interests and it is expected that a formal IRA will be initiated soon.

Stone fruit from the United States would likely be very competitive in the Australian market, where it would enter the country when domestically produced fruit is out of season. Other U.S. fresh fruit items -- notably cherries, citrus, and table grapes -- have been particularly successful in the Australian market when permitted entry. For example, in 2004, U.S. trade

statistics indicate fresh fruit exports to Australia of (with 2003 exports in parentheses): cherries, \$10.4 million (\$8.5 M); citrus, \$12.8 million (\$10.9 M); and table grapes, \$15.4 million (\$3.2 M).

Free Trade Agreements

Australia has a long-standing Free Trade Agreement (FTA) with New Zealand, and more recently implemented agreements with Singapore (2003), and Thailand and the United States (2005). Under these agreements, Australia offers duty-free access for essentially all imported agricultural products. In the case of stone fruit, however, the current Australian applied MFN tariffs are already zero. The Australia-Thailand FTA does allow Australian fruit shipped to Thailand a tariff preference; the previous 33%/42% tariffs will be phased to zero over the 2005-2010 period.

Australia is pursuing bilateral FTA's with other Asian trading partners, including Malaysia, the Association of Southeast Asian Nations, and China.

SECTION TWO: STATISTICAL TABLES

PSD Table Fresh Peaches & Nectarines							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Area Planted	0	1900		1950	0	1995	(HA)
Area Harvested	0	0	0	0	0	0	(HA)
Bearing Trees	0	2500	0	2563	0	2627	(1000 TREES)
Non-Bearing Trees	0	500	0	513	0	525	(1000 TREES)
Total Trees	0	3000	0	3076	0	3152	(1000 TREES)
Commercial Production	0	115000	0	133000	0	140000	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
TOTAL Production	0	115000	0	133000	0	140000	(MT)
TOTAL Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	0	115000	0	133000	0	140000	(MT)
Domestic Fresh Consump	0	70327	0	64598	0	67328	(MT)
Exports, Fresh Only	0	4673	0	5402	0	5672	(MT)
For Processing	0	40000	0	63000	0	67000	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	0	115000	0	133000	0	140000	(MT)

Import Trade Matrix Fresh Peaches & Nectarines			
Time Period	Cal Yr	Units:	MT
Imports for:	2003		2004
U.S.	0	U.S.	0
Others		Others	
Taiwan	3		
New Zealand	1		
Total for Others	4		0
Others not Listed	0		0
Grand Total	4		0

Export Trade Matrix Fresh Peaches & Nectarines			
Time Period	Cal Yr	Units:	MT
Exports for:	2003		2004
U.S.	0	U.S.	0
Others		Others	
Taiwan	3927	Taiwan	2319
Hong Kong	3152	Hong Kong	1458
Singapore	444	Singapore	479
UAE	309	UAE	269
Malaysia	217	United Kingdom	160
United Kingdom	134	Malaysia	139
France	61	Kuwait	116
New Caledonia	52	Italy	41
Italy	50	Thailand	40
Saudi Arabia	44	France	37
Total for Others	8390		5058
Others not Listed	234		184
Grand Total	8624		5242

PSD Table Fresh Plums & Prunes							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Area Planted	0	1205	0	1235	0	1266	(HA)
Area Harvested	0	1205	0	1235	0	1266	(HA)
Bearing Trees	0	1507	0	1544	0	1583	(1000 TREES)
Non-Bearing Trees	0	1658	0	1698	0	1741	(1000 TREES)
Total Trees	0	3165	0	3242	0	3324	(1000 TREES)
Commercial Production	0	30000	0	35000	0	37000	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
TOTAL Production	0	30000	0	35000	0	37000	(MT)
TOTAL Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	0	30000	0	35000	0	37000	(MT)
Domestic Fresh Consump	0	19842	0	24100	0	25760	(MT)
Exports, Fresh Only	0	5158	0	5900	0	6240	(MT)
For Processing	0	5000	0	5000	0	5000	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	0	30000	0	35000	0	37000	(MT)

Export Trade Matrix Fresh Plums & Prunes			
Time Period	Cal Yr	Units:	MT
Exports for:	2003		2004
U.S.	0	U.S.	0
Others		Others	
Hong Kong	4921	Hong Kong	2160
Malaysia	1407	Singapore	850
Taiwan	1389	Taiwan	754
Singapore	1291	Malaysia	572
China	481	United Kingdom	334
United Kingdom	425	UAE	246
UAE	406	Indonesia	59
Indonesia	77	Kuwait	47
Thailand	71	India	31
India	39	Thailand	27
Total for Others	10507		5080
Others not Listed	211		78
Grand Total	10718		5158

PSD Table Fresh Cherries, (Sweet&Sour)							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Area Planted	0	1040	0	1066	0	1092	(HA)
Area Harvested	0	946	0	969	0	993	(HA)
Bearing Trees	0	1891	0	1938	0	1987	(1000 TREES)
Non-Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Total Trees	0	1891	0	1938	0	1987	(1000 TREES)
Commercial Production	0	7000	0	6000	0	9000	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
TOTAL Production	0	7000	0	6000	0	9000	(MT)
TOTAL Imports	0	1591	0	1631	0	1672	(MT)
TOTAL SUPPLY	0	8591	0	7631	0	10672	(MT)
Domestic Fresh Consump	0	7169	0	6431	0	9178	(MT)
Exports, Fresh Only	0	1422	0	1200	0	1494	(MT)
For Processing	0	0	0	0	0	0	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	0	8591	0	7631	0	10672	(MT)

Import Trade Matrix Fresh Cherries, (Sweet & Sour)			
Time Period	Cal Yr	Units:	MT
Imports for:	2003		2004
U.S.	1684	U.S.	1578
Others		Others	
Croatia	50	New Zealand	13
New Zealand	32		
Total for Others	82		13
Others not Listed	1		
Grand Total	1767		1591

Export Trade Matrix Fresh Cherries, (Sweet & Sour)			
Time Period	Cal Yr	Units:	MT
Exports for:	2003		2004
U.S.	1	U.S.	1
Others		Others	
Hong Kong	250	Hong Kong	667
Singapore	139	Taiwan	193
Thailand	87	Thailand	143
Taiwan	74	Singapore	116
UAE	43	UAE	75
Antarctica	36	France	41
United Kingdom	21	Netherlands	36
Vietnam	13	United Kingdom	27
France	10	French Polynesia	23
Malaysia	9	Malaysia	20
Total for Others	682		1341
Others not Listed	46		80
Grand Total	729		1422